



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 18, 2007

### **H.R. 3539** **Airport and Airway Trust Fund Financing Act of 2007**

*As ordered reported by the House Committee on Ways and Means  
on September 18, 2007*

#### **SUMMARY**

H.R. 3539 would extend, through fiscal year 2011, several existing taxes that are dedicated to the Airport and Airway Trust Fund. Effective January 1, 2008, the bill also would increase the excise tax rates on noncommercial aviation-grade kerosene and aviation gasoline. The Joint Committee on Taxation (JCT) estimates that enacting H.R. 3539 would increase revenue by \$822 million over the 2008-2012 period and by about \$1.8 billion over the 2008-2017 period, relative to the current baseline projection for taxes dedicated to the trust fund.

The bill also would extend, through fiscal year 2011, the authority to expend amounts from the trust fund (including interest) for major programs administered by the Federal Aviation Administration (FAA). In doing so, the Congressional Budget Office (CBO) estimates that the bill would authorize appropriations totaling \$54.2 billion over the 2008-2011 period. Assuming appropriation actions consistent with the bill, CBO estimates that implementing H.R. 3539 would increase discretionary spending by \$7.7 billion in 2008 and by \$51.0 billion over the 2008-2012 period. Enacting the bill would not affect direct spending.

Because H.R. 3539 would increase the tax on noncommercial aviation-grade kerosene (jet fuel) to 35.9 cents per gallon, including floor stock, JCT has determined that the bill contains a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA). JCT also has determined that the bill contains no intergovernmental mandates as defined in UMRA.

## ESTIMATED COSTS TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3539 is shown in Table 1. The costs of this legislation fall within budget function 400 (transportation).

**TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 3539**

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
<b>CHANGES IN REVENUES<sup>a</sup></b>						
Estimated Revenues	0	118	169	174	178	183
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
Spending from the Airport and Airway Trust Fund under Current Law						
Authorization Level <sup>b</sup>	11,846	0	0	0	0	0
Estimated Outlays	12,310	4,714	1,944	774	214	35
Proposed Changes						
Estimated Authorization Level	0	12,524	13,218	13,876	14,532	0
Estimated Outlays	0	7,740	11,074	12,857	13,895	5,366
Spending from the Airport and Airway Trust Fund under H.R. 3539						
Estimated Authorization Level <sup>b</sup>	11,846	12,524	13,218	13,876	14,532	0
Estimated Outlays	12,310	12,454	13,018	13,631	14,109	5,401

Sources: Congressional Budget Office and Joint Committee on Taxation.

- a. Estimated changes in revenue through 2017 are displayed in Table 2.
- b. The 2007 level is the amount of discretionary budgetary resources provided from the Airport and Airway Trust Fund for that year for major FAA programs. Discretionary budgetary resources include appropriations for FAA operations, facilities and equipment, and research programs, as well as limitations on the obligations of contract authority for the Airport Improvement Program. It does not include additional amounts appropriated to the FAA from the General Fund.

## BASIS OF ESTIMATE

For this estimate, JCT and CBO assume that H.R. 3539 will be enacted near the start of fiscal year 2008 and that appropriation actions consistent with the bill will be taken in each fiscal year.

## Revenues

The existing excise taxes that are dedicated to the Airport and Airway Trust Fund are scheduled to expire on September 30, 2007. The taxes consist of levies on transportation of persons and property by air, use of international air facilities, and use of aviation fuels and are estimated to generate revenues of over \$11 billion in fiscal year 2007. The bill would extend at the current rate, through fiscal year 2011, all of the taxes except those on certain aviation fuels. The bill would increase the rates of tax on noncommercial aviation-grade kerosene and aviation gasoline effective January 1, 2008, through fiscal year 2011.

Under the projection rules in section 257 of the Balanced Budget and Emergency Deficit Control Act, which are followed for Congressional scorekeeping purposes, estimates of the revenue effects of legislation assume that expiring excise taxes dedicated to a trust fund are extended indefinitely and are measured relative to a baseline that assumes the expiring excise taxes are extended at the same rates that would be in place immediately before their scheduled expiration. As a result, the estimated increase in revenue from the bill results from the increase in the excise tax rates, which are assumed to remain in effect throughout the 2008-2017 period.

JCT estimates that enacting the higher tax rates in H.R. 3539 would increase revenues by \$118 million in 2008, \$822 million over the 2008-2012 period, and \$1.8 billion over the next 10 years, as shown in Table 2. Those amounts are net of reductions to income and payroll taxes.

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**TABLE 2. ESTIMATED REVENUES UNDER H.R. 3539**

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	By Fiscal Year, in Millions of Dollars										2008-	2008-
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2012	2017
Estimated Revenues	118	169	174	178	183	188	193	198	204	209	822	1,815

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## Spending Subject to Appropriation

By extending the authority to expend amounts from the Airport and Airway Trust Fund, the bill would authorize appropriations totaling \$54.2 billion over the 2008-2011 period for major FAA programs, CBO estimates. Under the bill, any increased revenues resulting from higher tax rates on noncommercial aviation-grade kerosene and aviation gasoline would be

authorized to be used exclusively for activities related to modernizing the nation's air traffic control system. Of the total amount authorized to be appropriated under the bill, CBO estimates that about \$850 million would support such activities. In total, assuming appropriation actions consistent with H.R. 3539, CBO estimates that implementing the bill would increase discretionary spending by \$7.7 billion in 2008 and by \$51.0 billion over the 2008-2012 period, with remaining spending of \$3.2 billion occurring in later years. That estimate is based on historical spending patterns for FAA programs.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

Because H.R. 3539 would increase the tax on noncommercial aviation-grade kerosene (jet fuel) to 35.9 cents per gallon, including floor stock, JCT has determined that the bill contains a private-sector mandate as defined in UMRA. JCT has determined that the bill contains no intergovernmental mandates as defined in UMRA.

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